

**Division of Family Assistance
Department of Health and Human Services
Status Report on Corrective Actions to Address Audit Findings
December 31, 2014**

Title of Audit and Date of Audit Report

State of New Hampshire
Division of Family Assistance
Electronic Benefits Transfer Cards: Performance Audit Report (September 2013)

- 1. Observation:** The Legislature may wish to consider clearly outlining the goals of cash assistance in statute and the DFA should adopt administrative rules for restrictions on the use of cash assistance and align them with State law.

Auditee Corrective Action Plan: *The Department adopts rules for the purpose of aligning with federal and state laws and will do so when the Legislature outlines goals.*

Status Report as of December 31, 2014: In the 2014 legislative session, three EBT bills were offered.

- HB 1213 offered to prohibit the purchase of alcohol or tobacco products with electronic benefit transfer (EBT) cards. House Health, Human Services, and Elderly Affairs Committee sent the bill to a study subcommittee.
- HB 1299 offered to establish a committee to study the cost and feasibility of requiring photo identification on EBT cards. House Health, Human Services, and Elderly Affairs Committee sent the bill to the same study subcommittee as above.
- SB 203 offered to expand restrictions on the use of EBT cards and would also direct DHHS to report on the adoption and implementation of restrictions on the use of EBT cards. Specifically, SB203 added prohibited sites to existing law to include business establishments that primarily engage in the practice of body piercing, branding or tattooing. The bill also expanded law to including prohibitions on specific individual purchases regardless of site, to include tobacco products, alcoholic beverages, lottery tickets, firearms, and adult entertainment. SB203 was introduced in Senate Finance, where it passed. The bill's sponsor, Senator Forrester, introduced the bill to the House Health, Human Services, and Elderly Affairs Committee, which sent the bill to the same study subcommittee assigned to review both House bills on EBT.

As of this writing, the House EBT Study Subcommittee has concluded recommendations and reported these to the House Health, Human Services and Elderly Affairs Committee. These recommendations included adding to the list of prohibited locations tattoo parlors, body piercing shops smoke shops and marijuana dispensaries (excluding those authorized under RSA 126, *therapeutic*). Prohibitions include denying use of EBT at point of sale device and ATM. The Subcommittee further recommended that prohibition not be extended to individual products and that enforcement be by having the EBT contractor electronically block EBT transactions by location. Lastly, the Subcommittee recommended enhancing education of clients and retailers regarding the use of EBT cards with the goal of

improving compliance with rules. It is anticipated an LSR to address these changes will be proposed for the 2015 legislative session.

DHHS will adopt rules for the purpose of aligning with federal and state laws as these are developed. It must be noted that to date no proposed LSR to limit EBT use has been accompanied by an appropriation to pay for implementation costs.

2. **Observation:** The Legislature may wish to consider whether there should be further restrictions on the use of cash assistance, and whether restrictions should be placed on all cash assistance, not just EBT.

Auditee Corrective Action Plan: *The Department adopts rules for the purpose of aligning with federal and state laws and will do so when the Legislature outlines goals.*

Status Report as of December 31, 2014: Same as # 1 above.

3. **Observation:** Develop a process to ensure cash assistance recipients are informed of the intended use, and restrictions on the use, of cash assistance and potential penalties for violations; and consider requiring recipients to sign an acknowledgement. Ensure retailers are informed of restrictions and penalties.

Auditee Corrective Action Plan: *As intended uses and restrictions are defined, we will create client trainings and signature blocks as appropriate and vendors will be informed of legislated restrictions.*

Status Report as of June 30, 2014: Processes have been developed to inform recipients and retailers of EBT cash restrictions already in law. Please see attachments 1 through 7.

- A poster has been developed and placed in district office waiting areas and interview rooms reminding that cash benefits "are only for the necessities of life." (Attachment 1)
- When clients are determined eligible for assistance, a Notice of Decision is sent to them. The notice describes state restrictions on EBT card use and warns of a penalty for improper use. (Attachment 2)
- Clients are sent their EBT cards through the mail. An insert is added to the card describing state restrictions on EBT card use and warns of a penalty for improper use. (Attachment 3)
- A poster has been designed for stores to voluntarily post when the store has been identified as a prohibited location for EBT card use. It warns clients that they may not use their EBT cash benefits at this location. (Attachment 4)
- The DHHS website has added a warning under Benefits Disbursement about prohibited uses of EBT cards and warns of a penalty for use in prohibited locations. (Attachment 5)
- Clients applying for benefits are now required to initial on the application that they understand their responsibilities relative to EBT cash restrictions. (Attachment 6)
- The website for EBT cardholders displays to cardholders in the "News" section information explaining prohibited cash access locations. More than 30,000 New Hampshire EBT cardholders access their account information via this self-services web portal. (Attachment 7)

Status Report as of December 31, 2014: Completed. This concludes reporting on this audit element.

- 4. Observation:** Conduct a formal assessment to determine which reports and processes are most relevant to mitigate program risk. Ensure the EBT card monitoring processes are completed timely.

Auditee Corrective Action Plan: *Informal risk assessments have been done to ensure we prioritize monitoring the most critical reports despite a lack of resources. However, as a correction, we will put the priorities in writing. We will continue to monitor EBT processes as timely as resources permit.*

Status Report as of December 31, 2014: The last semiannual report indicated that the EBT Administrator had been assigned the task of devoting five hours per week to update EBT documentation. To assist with this, a policy writer position had been partially redirected to take care of daily reports. When the documentation is complete, EBT tasks will be ranked according to priorities. The project will be monitored monthly in the DFA Project Log. However, this plan will not begin operation immediately. A new EBT contract is scheduled to go to G&C potentially in July, after which new technology and processes available under the new contract must be implemented. Until those new processes and technologies are systematized, any effort to document current procedures would be immediately rendered anachronistic.

Since our last reporting, staff resources due to vacancies and delays in hiring constrain our progress. The EBT Administrator has accepted new employment with the USDA Food and Nutrition Service as an EBT expert for the northeast region of states. To fill the EBT void the policy writer who has been backing up the position, has been moved to be Acting EBT Administrator. Because of hiring restrictions, Lindsay's old policy writer position has remained vacant, leaving DFA short-handed in the Policy Unit and without backup for the EBT position. To cover this void, the acting EBT Administrator is spending a portion of her time there doing policy work. Note further that other hiring restrictions have left the EBT Administrator's supervisor position vacant, so oversight has fallen to the DFA Director. Work on this initiative will resume when EBT Administrator position has been recruited and filled, and when the new employee has sufficiently mastered core functions to take on this initiative again.

- 5. Observation:** Evaluate additional benefits that could be administered via EBT or EFT.

Auditee Corrective Action Plan: *The Division of Family Assistance has almost entirely moved from paper checks to electronic payments, and those remaining paper checks are awaiting system changes to complete. The Department will explore other options to reduce paper checks.*

Status Report as of June 30, 2014: The Division of Family Assistance has completed the move from paper checks to **electronic** payments for food stamps and cash benefits. Reimbursements to TANF work program clients for mileage and other work-related expenses continues to be by check, although the request for systems changes has been made and waits in queue. The Hunger-Free Kids Act of 2010 requires WIC to move to EBT by

October, 2020; DHHS planning is underway. Similarly, the Division of Child Support has already begun moving to completely electronic payments.

Status Report as of December 31, 2014: Completed. This concludes our reporting on this audit observation.

6. **Observation:** Improve management efforts to ensure procedures are readily accessible, and develop methods for consistently communicating procedures to staff.

Auditee Corrective Action Plan: *Procedures, defined as worker activities, are not incorporated into policy manuals. These are compiled in Training Manuals and worker Field Guides. Sometimes, in order to meet rapid time frames, DCS sends procedural instructions to staff in e-mails. If it is not a reminder, but a change in procedures, these changes are queued as later edits to training manuals and field guides when resources can be allocated. We concur that the DFA does need to update specifically EBT procedures in training manuals and field guides. Additionally, the duties of the EBT Administrator will be written. DCS will be developing an EBT Quick Reference Guide for District Office staff. DCS Regional Administrators will take on the role of monthly checks of district office EBT cards to ensure compliance with proper procedures.*

Status Report as of December 31, 2014: See response to #4 above.

7. **Observation:** Have the EBT vendor mail cards directly to recipients and develop alternate processes for confirming cards are received by district offices.

Auditee Corrective Action Plan: *In terms of card delivery, having cards come to the State Office allows us to pull cards issued in error. Also, for those households deemed homeless and whose cards are delivered via the district offices, we in NH take security very seriously. We deem it a security essential that there be a daily log of card delivery to the District Office, and that the EBT administrator be included in the process as a quality control measure for both card issuance and also a contractor performance measure, to ensure cards are being sent as they should.*

Additionally, DCS will be developing an EBT Quick Reference Guide for District Office staff. DCS Regional Administrators will take on the role of monthly checks of district office EBT cards to ensure compliance with proper procedures.

The Department will continuously review for procedural modifications from the perspective of balancing client service, fraud, accuracy, efficiency, and cost.

Status Report as of June 30, 2014: In April of 2013 the EBT Administrator went to each district office, where she conducted an EBT training to all Division of Client Services (DCS) users of the EBT system (EDGE). EBT training material was updated. In the Summer of 2013 and again in March of 2014, updates to the EBT Quick Answer Guide cheat sheet were distributed (Attachment 8). DCS regional administrators have monitored proper destruction processes for EBT cards in all district offices. And the EBT Administrator includes regional administrators on any issues that arise from her data monitoring with specific district offices.

As we wrote in our response to the audit observation, the business case for having cards come to State Office outweighs any benefits associated with direct mail to clients. As such, this concludes reporting on this audit element.

Status Report as of December 31, 2014: Completed. This concludes reporting on this audit observation.

8. **Observation:** Review the relevance of the MOU with Vermont and develop and document the disaster recovery process.

Auditee Corrective Action Plan: *In January 2013 the DFA had already begun an ongoing project to re-examine our Food Stamp Disaster Plan.*

Status Report as of December 31, 2014: Partially Completed. The central issue related to this Observation has to do with back-up planning for card production in the event a disaster disrupts normal card production. Toward this end, NH and VT have worked in partnership to develop contingency planning, and have drafted an MOU that is not "maintained" per se, as stated in the audit, but rather stands ready to be signed in the event of emergency need.

In terms of our disaster card process, New Hampshire contracts for card production as part of the EBT contract. The primary back up plan for emergency card production in the event of disruption of normal card production is also contracted. Meanwhile, as a third-tier fail-safe, New Hampshire retains all card production equipment from when the state produced its own cards. Although the draft MOU with VT allows for NH to print cards using Vermont facilities in the event of an emergency, this is deemed prudent simply to keep the remote contingency option open, but not to insinuate that emergency card production in Vermont is an element of New Hampshire's formal disaster plan. New Hampshire's full Disaster recovery process is documented in our contract with the EBT vendor. Rather, the draft MOU serves more as an accommodation to the State of Vermont. While Vermont produces their own EBT cards, their tier one back up plan--which was successfully implemented twice already in 2009 and 2011 (once during a hurricane disaster that caused massive flooding to their state facilities)--involved their sending their card production data files to New Hampshire along with staff to operate New Hampshire's card production equipment. New Hampshire does now maintain a stock of Vermont cards. Inventory processes for card security are in place. Again, the value of a draft MOU is primarily as a courtesy to our sister state of Vermont, with some small contingency benefit to NH

In New Hampshire, the overall plan for disaster benefits--including but not limited to EBT--is the Food Stamp Disaster Plan. The Food Stamp Disaster plan is reviewed annually by USDA FNS and has met all Federal requirements annually for the last decade. Efforts are being made internally to modernize the plan with new technology. This technology advancement to more readily be able to process applications remains a high priority for the DFA Director, yet limited staffing resources continue to delay its completion.

9. **Observation:** Improve management of New Heights and Edge user access and permissions. Establish and document user access controls in policy and procedure.

Auditee Corrective Action Plan: *While many security measures mentioned here are in place, we will work to ensure they are more consistently applied and resources allocated to ensure that is accomplished. In fact, a Security Workgroup has already been convened.*

Status Report as of July 9, 2014: Controls have been established to ensure segregation of duties for an end user requesting security access to both New HEIGHTS (DHHS'Eligibility system) and Edge (what is this?). The controls are monitored when security reviews are done and at the time a new user is given access to New HEIGHTS, to ensure that an individual does not have access to confirm a case *in* New HEIGHTS and PIN a card in Edge. When access levels are changed in New HEIGHTS they are also changed in Edge.

- If an New HEIGHTS user has access to confirm a case, they have Inquiry access in Edge.
- New HEIGHTS Users who do not have confirmation rights, and are called "Client Reg Workers" in New HEIGHTS are given access to PIN a card in Edge. These type of Users in Edge are called "Card Specialists."

This concludes reporting on this audit observation.

Status Report as of December 31, 2014: Completed. This concludes reporting on this audit observation.

10. Observation: Ensure re-opened cash assistance cases are not linked to outdated information.

Auditee Corrective Action Plan: *This is in the queue of requested changes to New Heights and also will be addressed through eligibility staff training.*

Status Report as of June 30, 2014: When a case is re-opened the system has a driver flow that brings the worker through each screen that had information at the time of the case closing and displays the prior information. As part of the new application/interview the worker will review and update any information to ensure that the case is being re-opened based on the new circumstances and relevant information.

This concludes reporting on this audit observation.

Status Report as of December 31, 2014: Completed. This concludes reporting on this audit observation.

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Estimated completion date: Subject to legislative action